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U.S. on board in OECD's drive to reduce revenue lost to offshore tax havens

Tax officials ended a meeting in Paris and returned to their home countries to seek political agreement for proposals under which the United States and the Organization for Economic Co-operation and Development would co-operate on reducing tax revenue lost to offshore havens. "Many of the countries wish to go back to their governments to seek political backing for the proposals under discussion," said Nick Bray, an OECD spokesman. Those proposals, which are likely to include removing a threat of sanctions against offshore tax havens if they fail to commit to requested reforms by July 31, have been made to secure U.S. co-operation with the initiative. Paul O'Neill, the U.S. Treasury Secretary, said last month he had serious reservations with the plan by the OECD to reduce harmful tax practises carried out by offshore tax centres. *Bloomberg News*

VITAL SIGNS

Bank aims to shrink loan book

WAL-MART
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"We treat capital as a scarce resource," said Michael Sherman, a spokesman for TD Securities Inc. "In every area where we put our capital at risk, we expect significant fees for our business."

BMO Nesbitt Burns Inc. is also trying to reduce the number of corporate loans it grants.

By turning down Wal-Mart, Bank of America — the second-largest lender in the United States — is following through on a pledge made in December to reduce lending to customers that balk at hiring the bank to advise on acquisitions or manage bond and stock sales. Bank of America has arranged all Wal-Mart's credit lines since 1995.

"This is part of a re-evaluation of all our lending relationships," Georgie Shields, a spokeswoman for Bank of America, told Bloomberg News. "We are looking to shrink our loan book."

Tom Williams, a spokesman for Wal-Mart, declined to comment.

Wal-Mart hired J.P. Morgan Chase & Co. to replace Bank of America as the arranger of the one-year line of credit, which the retailer has never used. Like many companies, Wal-Mart maintains such credit lines as a precaution in case it can't sell commercial paper to finance day-to-day operations.

Many banks provide such loans grudgingly because profit margins are miniscule. Wal-Mart last year paid its lenders US$675,000 for the right to borrow US$2.25-billion. By contrast, Wal-Mart last year paid underwriters US$1.25-million to manage the sale of a 5.45% two-year bond that was managed by Goldman Sachs Group Inc.

Moreover, once underwriters such as Goldman and CIBC have sold the bonds to investors they face no additional risks. Banks that extend loans, however, tie up capital and may not be repaid.

Bank of America, along with other banks, did agree to participate in the credit line. The bank provided US$100-million, a smaller amount than the 10%, or US$225-million, that the bank would typically have been responsible for as an arranger.

As part of an effort to boost profits, Charlotte-based Bank of America plans to make US$20-billion fewer corporate loans by this time next year. At the same time, the bank wants to increase investment-banking business by 20%, William Hodges, Bank of America's global head of capital markets, said in March.

Bank of America said on March 13 that it had cut its syndicated loan portfolio by US$65-billion to US$109-billion by refusing to renew loans to companies, including Tyson Foods Inc. and Northrop Grumman Corp.

J.P. Morgan Chase, the No. 1 arranger of loans, is picking up some of the slack to try and win business with Wal-Mart that Bank of America was never able to capture.

It won't be easy. Wal-Mart has tended to hire a small number of investment banks for its advisory and capital raising needs. For example, Goldman and Lehman Brothers Holdings Inc. have managed 26 of the 32 sales of bonds that Wal-Mart has outstanding.

The New York-based bank has increased its share of the U.S. syndicated loan market to 40% from 36% last year. During the same period, Bank of America's share has fallen to 17% from 20%.

J.P. Morgan's lending drive is paying off in some cases. Conoco Inc., the fifth-biggest oil company, picked the bank as an exclusive adviser on its $6.3-billion acquisition of Gulf Canada Resources Ltd. after J.P. Morgan had arranged all its credit lines since 1999. The bank is also arranging financing for the Gulf Canada purchase.

J.P. Morgan is now the No. 5 adviser on mergers worldwide, having worked on 134 transactions totaling US$121-billion. That is 20 places ahead of Bank of America, which has advised on 20 mergers totaling US$9-billion.

Financial Post, with files from Bloomberg News

THE ASSOCIATED PRESS

Wal-Mart associates perform the company cheer at a sales meeting.

Halted Jitec to resume trading today

FILING SATISFIES EXCHANGE

By Robert Gibbens

MONTREAL • High-tech start-up **Jitec Inc.** said yesterday its shares will resume trading today after meeting all the Montreal Exchange's information filing requirements.

Jitec, which sells no-frills computer terminals with high-speed Internet access, went public at $3.80 a share last July and the price quickly soared over $11.

In November, founder and principal shareholder Benoit Laliberté resigned suddenly amid allegations of mismanagement. He later repaid $865,000 borrowed from Jitec without the directors' consent.

Share trading was halted on March 15 at 38¢ after allegations of illegal trading. On May 23, Jitec's new management said it had settled all issues with Mr. Laliberté, including repayment of $1.2-million owed by a company affiliated with him.

PowerNet USA Inc., a private U.S. venture capital fund, has acquired 7.5- million Jitec shares, said Alex Delisle, chief executive, while a supply contract with Canada PayPhone Inc. remains cancelled. At the annual meeting June 19, Jitec shareholders will be asked to approve boardroom changes and a new name — Advantage Link Inc.

Four software designers are teaming with Jitec to provide new applications of Jitec's technology for small businesses, he added. These cover sectors such as vehicle fleet management, e-commerce and human resources and payroll.

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Compromises were made

FORD
Continued from Page C1

Although Mr. Batty says he has not met one dealer who does not support the program in principle, he admits he had to compromise by making rewards available to any dealer "that works hard to become certified."

To date, he says, 90% of Ford's dealers have applied for certification and he is working to get the remaining dissidents "who don't understand" on side.

A second disgruntled group of dealers is suing over another move made under Ms. Gaunt's leadership to end sales of Mercury vehicles in Canada. That meant Lincoln-Mercury outlets became Ford-Lincoln dealers and created a situation in which some Ford dealers were competing against other Ford dealers less than one kilometre away. "I can't fix that," Mr. Batty said, declining to comment further on the dispute that has been certified as a class-action suit.

Mr. Batty, formerly in charge of establishing Ford's commercial and manufacturing operations in Russia, was appointed the 14th CEO of Ford's first expansion outside the United States in March, when he took over from Ms. Gaunt, who retired in November after three turbulent years

Since then, he has been meeting with Ford's extended family — local politicians, union leaders, employees and dealers — to get a feel for his new post. But "the dealers had to be my priority because I had been told that that relationship had to be strengthened."

Mr. Batty started working for Ford in France in 1977, where he later served as general manager of sales. He has headed operations in Spain, Portugal, Belgium and the Asia-Pacific region.

Although he can now be "seen from Detroit," he says he was delighted to move back to Canada with his family to take on a such a high-profile position. He met his French Canadian wife as a young student in Montreal.

It is also good to be out of Russia, he says. "Being French, I have a certain taste for bureaucracy, but when it comes to bureaucracy the Russians are kings."

Financial Post
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Gas sales up

BOOK
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A separate Commerce Department report, also published yesterday, gave more evidence of weakness. It said retail sales barely grew in May after jumping 1.4% in April.

A rise in sales at gas stations, furniture stores, grocers, restaurants and bars was nearly offset by a drop in business at car dealerships, building material providers, clothes and electronics shops.

Retailers, casting a wary eye on prospects for the holiday season, are watching such figures closely for indications of a drop in consumer spending. It has, so far, held up surprisingly well this year despite weak equity prices and a growing list of job-cut announcements.

Financial Times

Retail sales edge up, Page C11

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